

REVISED ANALYSIS

Author: Laird Analyst: William Koch Bill Number: AB 2930
 Related Bills: See Previous Analysis Telephone: 845-4372 Original Analysis Date: April 2, 2008
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Natural Heritage Preservation Tax Credit-Extend Indefinitely

- ☒ REVENUE ESTIMATE CHANGED.
 _____ FURTHER CONCERNS IDENTIFIED.
 _____ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED
 _____ STILL APPLIES.
☒ OTHER – See comments below.

SUMMARY OF BILL

This bill would do the following:

- Extend the Natural Heritage Preservation (NHP) tax credit indefinitely, and
- Allow the Wildlife Conservation Board (WCB) to award the NHP tax credit without monetary limit, as specified.

REASON FOR REVISION

The Economic Impact section in the department's analysis of this bill, as amended April 2, 2008, is revised to reflect the requirement for reimbursement to the state's General Fund (GF) of NHP tax credits claimed on income tax returns. Local government funds or state bond money would be used to reimburse the GF.

Board Position:

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 _____ N _____ OUA ☒ PENDING

Asst. Legislative Director

Date

Patrice Gau-Johnson

4/30/08

Revised Revenue Estimate:

Based on data and assumptions discussed below, this bill would result in the following revenue losses:

Estimated Revenue Impact of AB 2930 Assume Effective For Tax Years Beginning On Or After January 1, 2008 Enactment Assumed After June 30, 2008 (\$ in Millions)				
	2008-09	2009-10	2010-11	2011-12
Income Tax Funds	-\$3.0	-\$7.0	-\$7.0	-\$7.0
Fund Transfers	+\$0.6	+\$3.8	+\$7.0	+\$7.0
Net Impact to GF	-\$2.4	-\$3.2	\$0.0	-\$0.0

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

Revised Revenue Discussion:

When taxpayers apply tax credits to reduce tax liabilities, it reduces tax revenue to the income tax funds within the GF. Under current law, as well as with the provisions of this bill, the GF is/would be reimbursed for the allowed amount of the NHP tax credit. There is a delay in cash transfers to the GF because FTB receives notification of the credit usage only after the return has been filed, which could be several months after the fiscal year ends.

The revenue impact of this bill would depend on the fair market value of land donated for credits and the amount of credits that can be applied to reduce tax liabilities.

The WCB reports that \$48.6 million in NHP tax credits have been awarded to date. Actual credits claimed on tax returns total \$23.4 million from fiscal years 2001-02 through 2006-07, an average of approximately \$4 million annually.

This bill would allow local governments to submit completed applications directly to the WCB for approval. It is anticipated that this change will result in more credits being awarded, approximately \$7 million annually. It is assumed that this bill would be effective for tax years beginning January 1, 2008. The 2008-09 income tax fund loss of \$3 million reflects the last six months of the fiscal year because under current law the WCB may not award the NHP tax credit after June 30, 2008.

It is estimated that there would be a fund transfer of \$600,000 (\$3 million x 20%) to the GF in 2008-09, the result of tax returns filed in April 2009, claiming the NHP tax credit. In 2009-10, \$2.4 million, or the remaining 80% of the \$3 million in NHP tax credits claimed in 2008-09, would be transferred to the GF, in addition to \$1.4 million, or 20% of the \$7 million in NHP tax credits claimed in 2009-10 for a total of \$3.8 million. In 2010-11, \$5.6 million, or the remaining 80% of the \$7 million in NHP tax credits claimed in 2009-10, would be transferred to the GF, in addition to \$1.4 million, or 20% of the \$7 million in NHP tax credits claimed in 2010-11, for a total of \$7 million. The same calculation would apply for 2011-2012.

The original revenue estimate of the bill, as amended April 2, 2008, was combined with the estimated fund transfers to arrive at the estimated net impact to the GF shown in the Revenue Estimate table above.

Original Revenue Estimate

For convenience, the following is the original revenue estimate:

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 2930 Assume Effective For Tax Years Beginning On or After January 1, 2008 Enactment Assumed After June 30, 2008 (\$ in Millions)			
2008-09	2009-10	2010-11	2011-12
-\$3	-\$7	-\$7	-\$7

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

Original Revenue Discussion

The revenue impact of this bill would depend on the fair market value of the land donated for credits and the amount of credits that can be applied to reduce tax liabilities.

The WCB reports that \$48.6 million in tax credits have been allocated to date. Actual credits claimed on tax returns totals \$23.4 million from 2001-02 through 2006-07, an average of approximately \$4 million annually.

Credit usage varies from a high of \$8.3 million in 2001-02 to a low of \$1.4 million in 2004-05. The NHP tax credit was suspended in 2002-03, 2003-04, and 2004-05; credits could be carried over to succeeding years.

Because this bill would allow local governments to bring completed applications directly to the WCB for approval, it is anticipated that more credits would be awarded, approximately \$7 million annually. Assuming this bill would be effective January 1, 2008, the 2008-09 revenue loss of \$3 million reflects the last 6 months of the fiscal year because current law would expire after June 30, 2008.

This estimate addresses the revenue impact to the Personal Income Tax and Corporation Tax funds. Generally, bond issuance and the related debt service and interest costs to the GF are not addressed by FTB.

When taxpayers use tax credits to reduce tax liabilities, tax revenue to the income tax funds, which are within the GF, are reduced. Under current law, bonds are used to reimburse the GF for the amounts awarded by the NHP tax credit. As indicated in the "This Bill" section, the award of the NHP tax credits would continue to be contingent upon the GF being reimbursed by the WCB for all lost revenue resulting from the award of the NHP tax credits.

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